RAPPORT À NOS ACTIONNAIRES

Pour le premier semestre de l'exercice fiscal les revenus totaux de votre Société se sont élevés à $433,089,000 contre $340,873,000 pour la même période en 1979. Les bénéfices avant taxes se sont montés à $15,457,000 en comparaison de $15,855,000 tandis que les bénéfices nets applicables aux actions ordinaires, ont atteint $8,788,000 en comparaison de $8,828,000. Ceci équivaut à $4.67 par action ordinaire contre $4.69 en 1979.

Le président du Conseil
Lucien Cornez

United Westburne Industries Limited
And Subsidiary Companies

INTERIM REPORT
for the six months ended
September 30, 1980

RAPPORT INTÉRIMAIRE
pour le semestre terminé
le 30 septembre 1980

United Westburne Industries Limited

And Subsidiary Companies

file

TO OUR SHAREHOLDERS

For the six months ended September 30th, 1980, your Company recorded gross income of $433,089,000 compared with $340,873,000 for the same period in the previous year.

Pre-tax earnings were $15,457,000 against $15,855,000, while net earnings applicable to common shares amounted to $8,788,000 as compared to $8,828,000 for the same period in 1979. On a per share basis this is equivalent to $4.67 per common share against $4.69 last year.

Lucien Cornez
Chairman

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended September 30th

(Thousands of Canadian Dollars)

	1980	1979
INCOME		
Sales and operating revenue	**$430,576**	$338,452
Other income	**1,955**	1,367
Equipment rental income	**446**	980
Oil and gas production	**112**	74
	433,089	340,873
COSTS AND EXPENSES		
Cost of sales and services	**353,685**	276,886
Selling, general & administration	**51,735**	40,201
Interest — long term debt	**2,464**	1,347
— other	**8,336**	5,223
Depreciation & depletion	**1,396**	1,340
Oil and gas production	**16**	21
	417,632	325,018
Net earnings before income taxes	**15,457**	15,855
Provision for income taxes	**6,605**	6,963
Net earnings	**8,852**	8,892
Dividends paid on preferred shares	**64**	64
NET EARNINGS APPLICABLE TO COMMON SHARES	**$ 8,788**	$ 8,828
NUMBER OF COMMON SHARES OUTSTANDING	**1,883,097**	1,883,097
NET EARNINGS PER SHARE	**$4.67**	$4.69

The above figures are subject to year-end adjustment and audit.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the six months ended September 30th

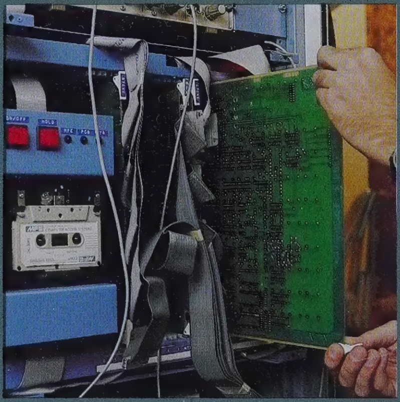
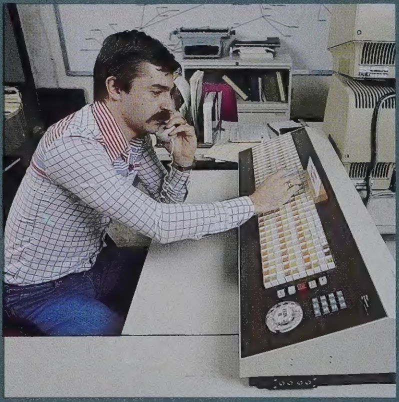
(Thousands of Canadian Dollars)

	1980	1979
SOURCE		
From Operations		
Net earnings	**$ 8,852**	$ 8,892
Amounts charged to earnings not affecting working capital:		
Depreciation, depletion & amortization	**1,410**	1,756
Deferred income taxes	**173**	732
(Gain) on purchase of bonds	**(10)**	—
(Gain) on sale of fixed assets	**(3)**	—
Contributed surplus	**1**	—
Unrealized currency translation gain	**56**	—
	10,479	11,380
Sales of fixed assets	**56**	62
Increase in long term debt	**5,828**	17,351
Receipts on mortgages receivable	**40**	79
Advances from parent	**6,850**	1,169
	23,253	30,041
APPLICATION:		
Additions to fixed assets	**4,037**	3,489
Dividends paid	**1,476**	1,477
Repayment of long term debt	**465**	5,556
Repayment of amount to parent company	**—**	136
Other investments	**136**	—
Deferred income taxes deemed payable	**—**	379
Purchase of preferred shares	**5**	—
Goodwill on acquisition of subsidiary	**(449)**	—
	5,670	11,037
INCREASE IN WORKING CAPITAL	**$ 17,583**	$ 19,004

United Westburne Industries Limited

Annual Report 1980


MECANIQUE
THERMATIC

Board of Directors

Directors
°•S. Abramovitch, C.A.
William M. Booth
•Lucien Cornez
•W. J. Cummer
•F. R. Matthews, Q.C.
°J. Donald Mitchell
Donald E. McInnis
Joseph Rimerman
J. P. Saillant
•John A. Scrymgeour
°Desmond N. Stoker
James L. Thompson
•Druval W. Westcott

•Member of Executive Committee
°Member of Audit Committee

Officers
Lucien Cornez
Chairman of the Board
Druval W. Westcott
President
S. Abramovitch, C.A.
Executive Vice-president
Donald E. McInnis
Senior Vice-president, Operations
James L. Thompson
Senior Vice-president, Operations
Gilles Hamel, C.A.
Vice-president, Administration
and Treasurer
L. R. Roberts, C.A.
Secretary
Hyman Terk
Assistant-secretary

Auditors
Touche Ross & Co.

Registrar and Transfer Agent
Common
Montreal Trust Company
Montreal, Toronto, Calgary

Preferred
Montreal Trust Company
Montreal, Toronto, Winnipeg,
Calgary, Vancouver

Executive Office
6333 Decarie Boulevard,
Montreal, Quebec
H3W 3E1

A Canadian Company

United Westburne Industries Limited is a publicly owned Canadian company which devotes its resources to the wholesale distribution of plumbing, heating, water works, air conditioning, electrical and electronical supplies. Its major markets are the building and renovation industry, engineering construction, and the market for materials and supplies to expand, replace or repair electrical and mechanical machinery and equipment. Its customers are the contracting trades, industrial, commercial and institutional users, utilities and government agencies.

On peut obtenir la version française de ce rapport en écrivant au Siège administratif de la Société, 6333 boulevard Décarie, Montréal, Québec H3W 3E1.

Highlights of the Year

	1980	1979	
Operating revenue	**$752,784,421**	$426,118,379	+ 76.7%
Earnings before income tax	**33,206,596**	16,352,151	+ 103.1%
Cash flow from operations, applicable to common shareholders	**21,140,915**	12,453,689	+ 69.8%
Net earnings for the year	**19,584,293**	9,228,166	+ 112.2%
Net earnings applicable to common shares	**19,457,059**	9,100,932	+ 113.8%
Working capital	**67,892,478**	39,796,070	+ 70.6%
Long-term debt	**32,055,200**	17,662,241	+ 81.5%
Capital expenditures	**9,974,897**	5,615,432	+ 77.6%
Basic earnings per common share	**10.33**	4.89	+ 111.2%
Per common share (fully diluted) book value	**$ 32.86**	$ 24.02	+ 36.8%
Branches	**173**	140	
Employees	**3,900**	3,200	

Report to the Shareholders

Your directors are pleased to submit the report on your Company's operations together with the consolidated financial statements for the fiscal year ended March 31, 1980.

The year under review was another one of expansion and sales and earnings records for United Westburne. Gross revenue increased by 77% from \$426,118,379 to \$752,784,421 while net earnings applicable to common shares totalled \$19,457,059 against \$9,100,932, a 114% progress. On a per share basis these earnings are equivalent to \$10.33 per share as compared to \$4.89 the previous year.

The bulk of our progress came from the full year major contributions (as opposed to one quarter last year) of the Nedco and Zentronics divisions and to a lesser extent from our U.S. subsidiary, Westburne Supply Inc. — created in August 1979 to take over the operations of the 26 plumbing and heating branches we acquired from the Crane Co. — and from the successful development of our telecommunications supplies and equipment sales. The other divisions however also contributed substantially to our increased sales and earnings.

In our previous annual report, we stated that amongst other things, the Nedco-Zentronics acquisition would provide your Company with "an in-depth penetration of the industrial, electronic and telecommunications equipment market, which would take your Company many years to accomplish on its own". We are pleased to report that the Nedco-Zentronics divisions contributions in this respect have exceeded our expectations.

United Westburne's major new development of the year was the first expansion move we did in the U.S. through the acquisition from the Crane Co. in August 1979 of 26 branches located in 16 states. The Company also acquired Bayfield Plumbing and Heating Supply Limited, a Northern Ontario supplier with 2 branches in the area and very recently Southwestern Supply Co., a Colorado based plumbing wholesaler with 5 branches located in Colorado, Wyoming and Nebraska.

This entry in the large \$12 billion a year plumbing and heating wholesale U.S. market will be further expanded as well as penetrating, on a profitable basis, the huge \$20 billion a year electrical and related products wholesale market.

Working capital as at March 31, 1980 was \$67,892,478 against \$39,796,070 the previous year. Long-term debt, including current portion was \$38,878,566 against \$29,462,378. Common shareholders' equity amounted to \$61,871,930 (\$32.86 per common share) as compared to \$45,240,217 previously (\$24.02 per common share).

Your Company now employs 4,000 persons in Canada and the U.S. who, through hard work and enthusiasm, made possible our outstanding results of fiscal 1980 and it is with the greatest pleasure that we record here our appreciation of their loyalty and dedication.

Looking ahead, your directors are fully aware that the high cost of money as well as some pessimism regarding the performance of the economy in 1980 may prove very challenging for your Company. They are however confident that we could meet this challenge and that fiscal 1981 will prove most rewarding.

On behalf of the Board of Directors

LUCIEN CORNEZ
Chairman

The annual meeting of Shareholders will be held on August 5, 1980 in the city of Calgary, Alberta.

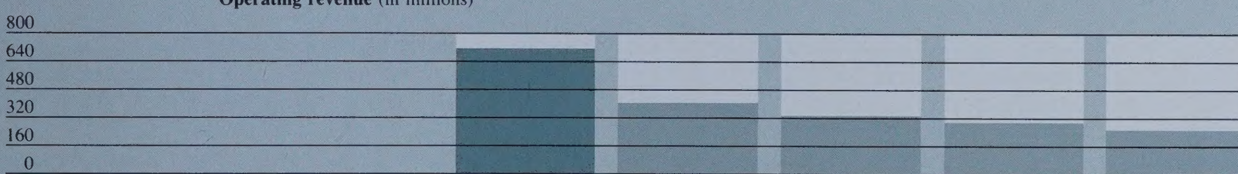

WESTBURNE

Five Year Statistical Summary

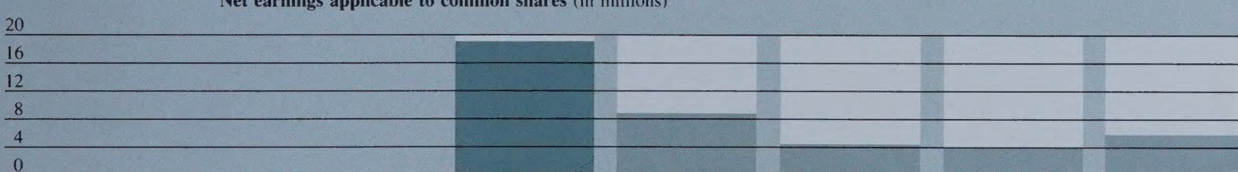
Fiscal Years Ended March 31

Operating (in $000)	**1980**	1979	1978	1977	1976
Operating revenue	**$752,784**	$426,118	$341,222	$311,436	$274,665
Pre-tax earnings	**33,207**	16,352	8,151	8,112	13,516
Net earnings applicable to common shares	**19,457**	9,101	4,877	4,180	6,705
Per share, fully diluted	**10.33**	4.89	2.65	2.25	3.54
Per share, book value	**$ 32.86**	$ 24.02	$ 21.42	$ 19.39	$ 17.50
Receivables (net)	**$128,728**	$ 86,823	$ 51,968	$ 48,863	$ 42,317
Inventories	**152,627**	107,213	64,756	60,199	53,717
Working capital	**67,892**	39,796	33,889	30,468	31,685
Fixed assets (net)	**25,592**	28,764	26,332	24,355	22,563
Total assets	**324,596**	238,024	158,336	145,842	128,025
Common shareholders' equity	**$ 61,872**	$ 45,240	$ 40,047	$ 36,054	$ 32,172

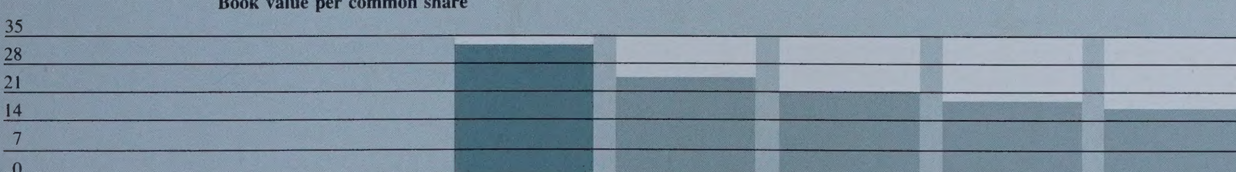
Operating revenue (in millions)



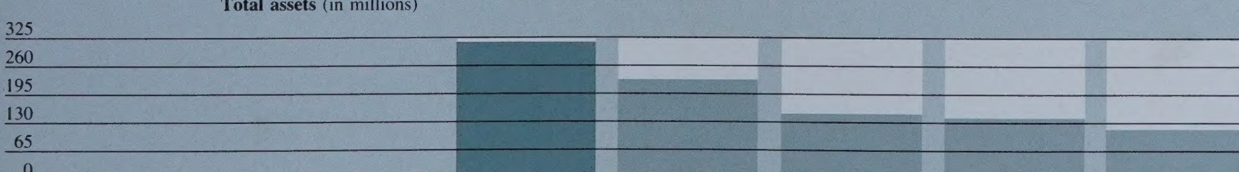
Net earnings applicable to common shares (in millions)



Book value per common share



Total assets (in millions)



Consolidated Balance Sheet

as at March 31

Assets	1980	1979
Current		
Cash and short-term deposits	**$ 11,685,898**	$ 8,661,022
Accounts receivable	**128,728,135**	86,823,111
Inventories	**152,626,949**	107,212,604
Prepaid expenses	**1,625,189**	855,167
	294,666,171	203,551,904
Deferred contract costs	**—**	1,200,474
Notes and mortgages receivable	**283,005**	494,395
Fixed assets (Note 2)	**25,592,110**	28,763,535
Debenture discount and expense, less amortization	**74,216**	88,184
Excess of cost of investments in shares of subsidiaries over net assets at date of acquisition	**3,980,093**	3,925,157
	$324,595,595	$238,023,649

On behalf of the Board:
LUCIEN CORNEZ, Director
DRUVAL W. WESTCOTT, Director

Liabilities	1980	1979
Current		
Bank loans, secured by accounts receivable	**$110,593,059**	$ 71,234,438
Accounts payable	**98,695,869**	74,639,808
Income taxes payable	**9,923,429**	4,289,400
Dividend payable	**737,970**	502,583
Long-term debt due within one year	**6,823,366**	11,800,137
Due to affiliate	**—**	1,289,468
	226,773,693	163,755,834
Due to affiliate	**—**	4,975,339
Due to parent	**654,952**	454,252
Long-term debt (Note 3)	**32,055,200**	17,662,241
Deferred income taxes	**1,317,622**	3,900,016
Unrealized currency translation loss	**(113,552)**	—
Shareholders' Equity		
Stated capital (Note 4)	**6,971,293**	6,971,293
Contributed surplus	**1,188,621**	1,188,621
Retained earnings (Note 3)	**55,747,766**	39,116,053
	63,907,680	47,275,967
	$324,595,595	$238,023,649

Auditors' Report

The Shareholders,
United Westburne Industries Limited.

We have examined the consolidated balance sheet of United Westburne Industries Limited as at March 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the year ended on that date. Our examination of the financial statements of United Westburne Industries Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on reports of the auditors who have examined the financial statements of other subsidiaries which comprise total assets and gross revenue of 12% and 33% respectively of the related consolidated totals.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1980 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants

Montreal, Quebec, May 21, 1980.

Consolidated Statement of Earnings and Retained Earnings

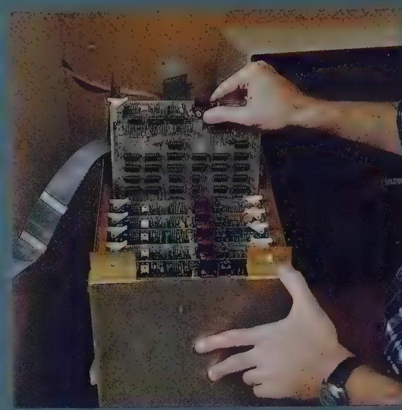
for the year ended March 31

	1980	1979
Gross revenue	**$752,784,421**	$426,118,379
Operating income before the undernoted items	**47,696,132**	22,094,023
Deduct		
Interest — Long-term debt	**3,899,024**	1,605,884
— Other	**12,791,239**	6,064,206
Depreciation	**3,021,761**	2,589,519
Amortization of contract costs	**670,737**	804,884
Amortization of debenture discount	**13,968**	13,963
Amortization of excess cost of investments in shares of a subsidiary	**14,813**	14,813
	20,411,542	11,093,269
Add		
Equipment rental income	**2,050,765**	2,953,976
Interest and other income	**3,510,450**	2,331,578
Gain on sale of fixed assets	**360,791**	65,843
	5,922,006	5,351,397
Net earnings before income taxes	**33,206,596**	16,352,151
Provision for income taxes	**13,622,303**	7,123,985
Net earnings for the year	**19,584,293**	9,228,166
Retained earnings at beginning of year	**39,116,053**	34,252,090
	58,700,346	43,480,256
Dividends paid on — Preferred shares	**127,234**	127,234
— Common shares	**2,825,346**	4,236,969
Retained earnings at end of year	**$ 55,747,766**	$ 39,116,053
Net earnings per common share outstanding	**$10.33**	$4.89

Consolidated Statement of Changes in Financial Position

for the year ended March 31

		1980	1979
Source			
From operations			
Net earnings for the year		**$19,584,293**	$ 9,228,166
Amounts changed or (credited) to earnings not affecting working capital			
Gain on purchase of debentures for sinking fund requirement		**(2,791)**	(7,328)
Gain on sale of fixed assets		**(360,791)**	(65,843)
Depreciation and amortization		**3,721,279**	3,423,179
Deferred income taxes		**(2,203,578)**	2,749
Write-off of deferred contract costs		**529,737**	—
		21,268,149	12,580,923
Sale of fixed assets		**10,785,557**	659,820
Loan from parent		**200,700**	147,441
Increase in long-term debt		**20,612,162**	15,273,000
Loan from affiliate		**774,977**	80,436
Receipts on notes and mortgages receivable		**244,549**	3,827
Issue of common shares		**—**	329,250
		53,886,094	29,074,697
Application			
Unrealized currency translation loss		**113,552**	—
Due to affiliates		**5,750,316**	595,277
Notes and mortgages		**—**	246,228
Additions to fixed assets		**9,974,897**	5,615,432
Dividends paid		**2,952,580**	4,364,203
Repayment of long-term debt		**6,243,257**	11,508,674
Investment in subsidiary			
Net assets acquired	**$279,760**		
Excess of cost over net assets acquired	**69,749**	**349,509**	—
Deferred income taxes deemed payable		**378,816**	837,670
Other		**26,759**	—
		25,789,686	23,167,484
Increase in working capital		**$28,096,408**	$ 5,907,213

Notes to the Consolidated Financial Statements

for the year ended March 31, 1980

1. Accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the subsidiaries and have been accounted for under the purchase method. At the time of purchase of certain subsidiaries $589,000 of the excess of purchase price over net assets was attributed to fixed assets. Management is of the opinion that the excess cost attributed to intangible assets pertaining to subsidiaries acquired prior to April 1, 1974 is of continuing value and accordingly does not contemplate any amortization of this amount. However, in accordance with generally accepted accounting practice the excess cost of investments in shares of subsidiaries acquired after that date and allocated to intangibles is being amortized over a period of 40 years.

Inventories

Inventories have been valued at the lower of cost (which is determined on the first-in first-out method) and net realizable value. Due provision is made to reduce obsolete, unsaleable or unusable items to their realizable or scrap value.

Fixed assets and depreciation

It is the policy of the Corporation to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets, as follows:

Buildings and improvements — mainly on a 5% to 10% diminishing balance basis. Equipment — mainly on a 20% to 30% diminishing balance basis.

Drilling equipment — at a rate per drilling day at a value per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days.

At the time of sale or retirement of fixed assets, the costs and related accumulated depreciation are removed from the accounts and, with minor exceptions, the resulting profits or losses on disposition are reflected in earnings. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which extend the life of the assets or increase the value thereof are capitalized.

Foreign currency translation

Long-term debt which is repayable in United States dollars is translated into Canadian dollars at the rates prevailing when such debt was acquired.

Accounts of a foreign subsidiary are translated to Canadian dollars. Current assets and liabilities are translated at year end rates of exchange. Non-current assets and liabilities are translated at rates in effect when acquired or incurred. Income accounts other than depreciation and depletion are translated at average rate in effect throughout the year. Depreciation and depletion are translated at historical rates. Unrealized gains or losses on translation of foreign currencies are excluded in the determination of net earnings.

Income taxes

Deferred income taxes are provided to recognize the effect of timing differences, that is, those items of income and expense that may affect income for tax purposes in a period different from that in which they affect income for accounting and reporting purposes. As a result income tax expense recorded for any period represents the total taxes applicable to the income reported in the financial statements of the period regardless of when such taxes are actually paid.

Classes of business

An integrated wholesaling business is carried on supplying equipment and supplies mainly to the construction industry. Accordingly, the Corporation considers that it is exempt from the reporting requirement for diversified corporations under the Canada Business Corporations Act and Regulations thereto.

2. Fixed assets, at cost	**1980**	1979
Land	**$ 2,694,383**	$ 1,626,444
Buildings and equipment	**31,419,526**	24,034,968
Drilling equipment	**—**	11,780,741
Oil and mineral leases and development expenditures	**3,004,034**	2,112,353
	37,117,943	39,554,506
Less accumulated depreciation	**11,525,833**	10,790,971
	$25,592,110	$28,763,535

3. Long-term debt

Long-term debt maturities are as follows:

	Average weighted interest rates at March 31, 1980	Years ending March 31							
		1980	1981	1982	1983	1984	1985	Subsequent	Total
	%	($000's)	($000's)	($000's)	($000's)	($000's)	($000's)	($000's)	($000's)
Debt subject to regular amortization:									
Mortgage loans, due at various dates to 2005	11.3	$ —	$ 275	$ 310	$ 279	$ 238	$ 416	$ 3,198	$ 4,716
Sinking fund debentures	7.3	—	340	365	365	325	325	750	2,470
Bank loans, due at various dates to June 1, 1993	13.3	—	657	536	544	563	584	3,258	6,142
Note payable, payable in six equal quarterly instalments, maturing July 1, 1980	Nil	—	5,551	—	—	—	—	—	5,551
Debt not subject to regular amortization:									
Bank loan, bridging accommodation with repayment terms to be negotiated by August 1st, 1980	1 above prime rate	—	—	—	—	—	—	20,000	20,000
Maturities as at March 31, 1980		$ —	$6,823	$1,211	$1,188	$1,126	$1,325	$27,206	$38,879
Maturities as at March 31, 1979		$11,800	$6,489	$1,198	$1,195	$1,125	$ —	$ 7,655	$29,462

Provisions for the sinking fund debentures are as follows:

Series	Authorized	Purchased for and in anticipation of sinking fund requirements	Outstanding	Redemption provisions	Sinking fund requirements
A	$4,500	$2,599	$1,900	Redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 2⅛% if redeemed prior to March 31, 1981, the premium thereafter decreasing yearly by ⅜% up to March 15, 1985 when they become redeemable at par.	A sinking fund is required to retire principal amount of $275,000 per annum on March 15, 1981 to 1986.
B	600	480	120	Redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 1½% prior to August 1, 1980, the premium thereafter decreasing by ½% up to August 1, 1981 and thereafter at par.	A sinking fund is required to retire $40,000 principal amount per annum on August 1, 1980 and 1981.
C	1,000	550	450	Redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 3.45% if redeemed prior to March 31, 1981, the premium thereafter decreasing yearly by .45% up to March 31, 1988 when they become redeemable at par.	A sinking fund is required to retire $50,000 principal amount per annum on March 31, 1981 to 1988.
			$2,470		

3. Long-term debt (continued)

The trust deeds accompanying the issue of the debentures impose restrictions relating to the redemption of stated capital, the declaration of dividends, the pledging of assets and the level of minimum working capital.

At March 31, 1980 the amount of shareholders' equity not restricted under the terms of the trust deed was $17,177,051.

Included in bank loans subject to regular amortization is $3,976,579 secured by fixed assets.

The $20,000,000 bank loan is deemed to mature after 1985 as an option exists for repayment commencing thereafter.

4. Stated capital

	March 31, 1980	
	Shares	Amount
Preferred, 6¼% cumulative, redeemable	40,715	$2,035,750
Common	1,883,097	4,935,543
		$6,971,293

5. Commitments

The Corporation and its subsidiaries have entered into lease agreements for premises and equipment for various terms expiring up to 1997. The aggregate of the future minimum lease payments is $27,393,000 and for each of the next five years, is as follows:

1981	$5,830,000
1982	4,721,000
1983	3,608,000
1984	2,899,000
1985	2,358,000

6. Contingent liability

Income tax assessments in respect of the fiscal periods from 1967 to 1973 amounting to $450,000 including interest, have been received from the Province of Quebec. These assessments are being contested and accordingly no provision has been made in the accounts.

The Corporation has guaranteed the bank indebtedness of the parent to the extent of $70 millions.

7. Directors' and officers' remuneration

The Corporation and its subsidiaries paid all directors and senior officers, including directors who are officers, an aggregate of $1,098,012 during the year (1979 — $774,450).

Westburne's Branches

Canada

Yukon Territory
▲ Whitehorse

British Columbia
■ Abbotsford
● Burnaby
▲ Courtenay
● Cranbrook
● Fort St-John
● Kamloops
● Kelowna
▲ Kitimat
▲ Langley
● Nanaimo
▲ New Westminster
▲■ North Vancouver
▲ Port Alberni
▲▲■ Prince George
▲▲■ Surrey
◆▲▲ Vancouver
▲ Vernon
▲● Victoria

Alberta
◆▲▲■■● Calgary
◆▲●● Edmonton
▲ Fort McMurray
▲● Grande Prairie
● Lethbridge
▲● Lloydminster
● Medicine Hat
▲■ Red Deer

Saskatchewan
▲▲■ Regina
▲● Saskatoon

Manitoba
● Brandon
● Thompson
◆▲▲■ Winnipeg

Ontario
▲● Barrie
▲ Brantford
● Brockville
▲ Cambridge
● Chatham
▲■ Cornwall
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▲● Windsor
▲ Woodstock

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● Drummondville
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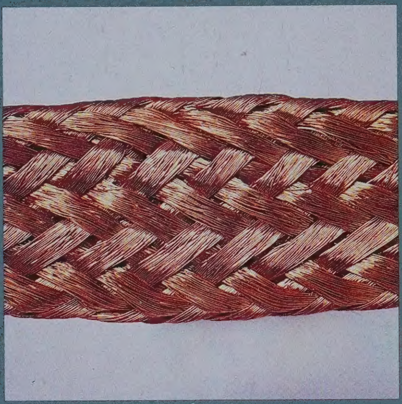

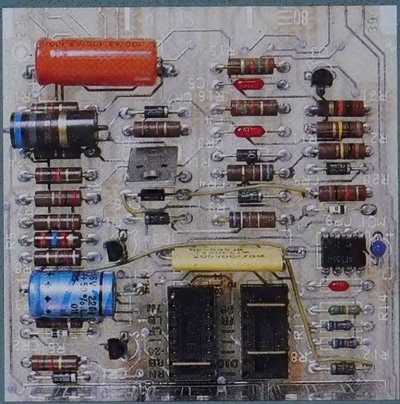

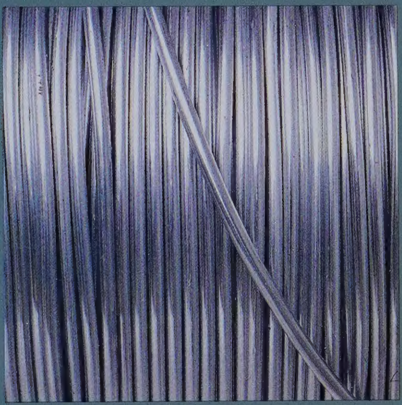


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Electronics and Telecommunications

The state of the semiconductor technology has lead the telecommunications and computer industries to new frontiers of capabilities and price performance ratios. These breakthroughs have been the required fuel to stimulate the market place to the point that the "office of the 80's" will see drastic changes from the present manual time consuming and even computerized systems. The pace has been set by the leaders in the industry but will be carried through by the innovators.

Prior to 1970 true word processing was almost non existent due mostly to lack of understanding of the market and outdated and cumbersome techniques. As the semiconductor industry blossomed, the new innovations devised were implemented by the historic communications and computer manufacturers. The "race" began as newer semiconductor breakthroughs happened and new equipment was developed to implement it. New companies were formed and their innovative ideas turned them into industry giants. The growth rate was unprecedented in this or any other industry. There still, however, was an ever present distinction between data processing, word processing and telecommunications.

As we go into the 80's we see this distinction rapidly diminishing. The industry again will quickly adapt because of the technology available.

At the heart of any computer system is "software" which makes the system run. In the past years it was believed to be the art of "black magic". Today it is identified by manufacturers as the most important part of a system more so even than the hardware.

Our electronics division will fully participate in this word processing equipment market estimated to reach a total of one billion dollars by 1985 in Canada.

Other projections call for 60,000 units per year for computer peripherals C.R.T. (cathode-ray terminal). For Intelligent C.R.T. 40,000 units per year and for other peripherals $40 million yearly. Further we may expect the formation of some 100 to 150 new specialized companies in Canada (software and service bureau only).

In the purely telecommunication field we intend to profit from our participation in this market by supplying to the telephone companies in Canada, a share of the distribution type products which is a portion of their $3 billion 1980 construction budget.

Our telecommunication group is properly positioned in each of the provinces to provide the supply and equipment needs of the communication industry with some 5000 distributor type products from more than 50 major suppliers. This market for distributor type products (excluding cable and outside plant) is estimated at $125 million and growing at 7% per year.

The introduction of Interconnect in Canada is seen as a new growth opportunity for the Westburne telecommunication division now gearing to provide the equipment and supplies to this fast growing market which is expected to exceed some $50 million annually. Interconnect is a new phase of telecommunication legislation which will allow a customer to purchase outright and connect approved equipment rather than lease equipment from the telephone company.

All in all our management is particularly optimistic to participate fully in the tremendous potential growth of the electronics and telecommunication markets, which we believe will not be affected by the ups and downs of the economy.

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